ANNUAL GENERAL MEETING 2021

EXECUTIVE CHAIRMAN'S SPEECH

1. Welcome and introduction

Shareholders,

Good morning everyone and thank you for attending this general meeting virtually.

I want to start by thanking our team for the great effort made in 2020, which was no doubt one of the most difficult years in recent decades.

On behalf of everyone at Santander, I would like to send our condolences to the families who have lost loved ones, especially our work colleagues.

2. Support to social and economic recovery

In a year like no other, we have remained true to our purpose - to help people and businesses prosper- while delivering on our commitments to our stakeholders.

Our priority was protecting the health of employees, ensuring that our teams could continue to serve our customers.

We organized shifts and enabled our employees to work from home; within a few weeks, more than 100,000 employees were doing so.

We strengthened our capacity to serve customers through online channels and call centers: and we also took safety measures that allowed 70% of our branches to remain open.

Currently, due to our health protocols and controls (including massive testing), many of our employees are already working from offices and more than 90% of our branches are open. We are adapting fast to what is happening in each country - like in Brazil where most employees are working remotely due to the surge in cases.

Thanks to this, we have continued to give our customers the level of service and support they expect, keeping our service levels high.

COVID has turbocharged the move to online banking. In 2020, 44% of our sales were through digital channels, versus 36% in 2019; this dynamic was especially pronounced in markets like the UK, where digital penetration reached 80% of total sales.

We served more than 42 million digital customers, a 15% year-over-year increase; and more than 35 million of our customers used mobile banking, 21% year-over-year increase.

Critically, we gave our customers the financial support they needed. At the peak of the pandemic, we lent an average of €1 billion in new loans every day. In total, we supported 6 million customers.

On top of that, we granted payment deferrals to support our customers. We temporarily reduced or suspended certain fees; and, working with specialized teams, we supported customers who were facing particular financial difficulties.

We granted moratoria on loans totaling €112 billion, of which 79% have expired, and only 3% was classified as having a significant probability of default. Of the €23 billion that remained under moratoria, as of December 31, 2020, 78% was secured and 83% was in Europe.

We also supported our communities. Our employees' generous contributions helped to raise €105 million, which went to government initiatives and charities in the fight against the virus.

We are proud that Euromoney recognized our efforts by naming us the "World's Best Bank for Small and Medium-sized Enterprises." Above all, this is a recognition of the great work done by our teams. The virus tested us all – and Santander passed with distinction.

And throughout all of this, we minimized the impact of the crisis on our capital, liquidity, and risk profile; and worked to deliver sustainable returns to you, our shareholders.

3. Financial performance

Although all our markets were impacted by the pandemic, Santander's businesses have weathered the storm well thanks to the foundations that we have built over the last few years.
In 2020 we generated an underlying profit of more than €5 billion.

And we have achieved these results in the right way. We have reached almost 23 million loyal customers and – as I said - more than 42 million digital customers, which allowed us to keep revenues in line with 2019 at approximately 45 billion euros and increase net operating income by 2%, both in constant euros.

By the end of 2020, our business activity was already close to pre-pandemic levels. Total credit and deposits increased by 5% and 10% respectively year on year. We are building a new operating model that has already delivered a 3-basis point improvement in our cost income ratio, which is at 47%, making us a leader in the sector.

Above all, we have a rock-solid balance sheet. We increased our CET1 capital ratio to 12.34%, well above our target, despite increasing provisions by almost 50% in light of the pandemic. This means we are well positioned for 2021.

Our customers are showing great financial resilience. Our non-performing loan ratio dropped by 11 basis points and we managed to close the year with cost of credit at 1.28%, better than the guidance we provided in the third quarter.

These results highlight Santander's three enduring strengths – customer focus, scale, and diversification.

Starting with our **customer focus.** In six of our main markets, we are ranked top 3 in terms of customer satisfaction measured by Net Promoter Score (NPS).

Secondly**, our scale.** We have one of the largest customer bases in Europe and the Americas, serving 148 million customers around the world.

Lastly, our **geographic and business diversification** gives us resilience when a crisis hits.

The combination of local leadership, global reach through businesses such as Santander Corporate and Investment Banking, Wealth Management & Insurance and Payments help drive greater collaboration across the Group, leading to higher revenues and improved efficiency. These three global businesses, plus the Digital Consumer Bank, represented in 2020 54% of the Group's underlying profits.

In **Europe** we have been and will remain focused on executing the new and more efficient operating model that will help us improve profitability. Our goal is to achieve a 10-12% underlying RoTE in the medium term and an efficiency ratio of around 45%.

We have already achieved cost savings of 1 billion euros over the last two years in Europe. We are committed to reducing our cost base by an additional 1 billion euros by 2022.

In Spain, credit increased by 5% year on year, mainly driven by SMEs and corporates, and in the UK loans grew by 3%, driven by new mortgages and public financing lines for corporates.

The NPL ratio in our European markets decreased 10 basis points, to 3.15%.

North America was the region which delivered the best underlying profit performance in 2020, with the US delivering a statutory attributable profit of 1.2 billion in U.S. dollars.

Here, our focus is on improving the quality of service to attract more customers and improve productivity.

Our countries in this region - Mexico and the United States - are collaborating more and better, through shared services and collaboration in international trade.

In the medium term, we expect to achieve a 11-13% underlying RoTE in the region, and an efficiency ratio of 40%.

South America remains the Group's growth engine.

In year-on-year terms, net operating income increased by 5% in 2020, loyal customers by 9%, loans by 15% and deposits by 30%.

Our commitment here is to increase collaboration across the region, and build common platforms to capture business opportunities, for example, in consumer finance or insurance.

The medium-term target is to achieve a 19-21% underlying RoTE and an efficiency ratio of 35%.

Finally, our global businesses, which had a particularly strong year thanks to customer growth and improved customer relationships.
In this first quarter of 2021 the business has remained strong, with revenues in line with last quarter. In Europe, we are delivering savings that improve the efficiency ratio at Group level. In addition, the cost of risk continues to trend downwards as we anticipated in our annual results presentation.

These strong results from the first quarter allow us to achieve a circa 10% underlying RoTE in 2021.

4. Shareholder value creation

These good operating results and our strong capital position give us flexibility to offer attractive remuneration to you, our shareholders.

As you know, the distribution of dividends in the European banking sector has been restricted by supervisors since last April.

Given these restrictions, the Board proposed, and shareholders received a scrip dividend equivalent to 10-euro cents per share on 2019 results to honor our commitment to retail shareholders. This resulted in total shareholder remuneration in that financial year of 20-euro cents per share.

The board of directors approved yesterday the distribution of a €2.75 cents per share dividend to be paid in cash in May 2021 against 2020. This is the maximum possible amount under the limits set in ECB recommendation of December 2020 and will be distributed on 4 May under the resolution for share premium distribution approved in the shareholders' meeting held last 27 October.

Looking forward, the board's intention is to restore a shareholder remuneration policy of 40-50% of the Group's underlying profit. With that in mind, we will accrue throughout the year the proportional amount of capital required to execute this policy once supervisory conditions allow, with the expectation that we will achieve an underlying RoTE of circa 10% by the end of 2021.

This ban on dividend payments and buy backs has inevitably affected European financial institutions' share performance compared to other regions.

Total shareholder return was similar to that of our global peers, however, since we published third quarter earnings, our share price strengthened up 73%. In terms of valuation, Santander ended 2020 trading at market multiples in line with those of our global peer group and the European banking sector.
Since we presented our 2020 annual results, our share has been outperforming the market and our peers. We feel confident about the strength of our business model and our perspectives for 2021, and that we will continue leading this trend.

5. Results obtained in the right way (ESG)

We achieved these solid financial results whilst implementing strong practices on environmental, social and governance issues –ESG –to become each day a more responsible bank.

Our strategy is reflected in our 11 public, specific, measurable objectives, which we published in 2019. They reflect our priorities and our commitment to support the delivery of the United Nations Sustainable Development Goals and the Paris Agreement on climate change.

We are making good progress –let me cover the highlights from last year, starting with the **environment** – and explain how we are contributing to the transition to a green economy.

In 2020, we provided more than 15 billion euros in green financing and issued a sustainable bond worth 1 billion euros, the second since 2019.

Meanwhile, we are reducing our own environmental footprint: we became carbon neutral in all our operations last year.

Secondly, our commitment to society.

At Santander we are promoting diversity and inclusion, through a strategy that includes global standards for parental leave; unconscious bias training; gender-neutral shortlists for vacancies; and targets to employ more people with disabilities.

Meanwhile, we are helping people gain access to the financial system, while also teaching them how to use financial services prudently. In 2020, we made over 4,500 new microfinance loans every day across Latin America. Overall, we helped to financially empower 2.9 million people.

And through our world-leading universities programme, in 2020 we granted more than 150,000 scholarships, which means we have already surpassed our commitment to give 200,000 scholarships by the end of 2021.

Finally, the critically important subject of **governance**. For the board, corporate governance is a cornerstone for the sustainability and success of Santander.

To ensure any member of our Group can speak up anonymously if they have a concern, we completed the roll out of “Canal Abierto” across all our markets.

Meanwhile, we implemented our Consumer Protection Policy and our vulnerable customers' guidelines across the Group; and we are working to ensure our 400 main suppliers meet our ESG requirements.

Our governance rests on an Executive Chairman and a CEO with clearly separated roles and responsibilities, and a Board with a strong lead independent director and a large majority of independent directors. This governance has delivered the strong operating performance, and profitable and sustainable growth, that I have outlined today.

Every year, our shareholders endorse our governance model, which is reflected in the fact that 99.68% of our shareholders supported corporate management in the last Annual General meeting, and only 0.32% voted against.

As set out in our Annual Report, a recent Board Effectiveness Review, conducted by an external adviser, concluded the governance was "well designed" and "highly effective". Furthermore, the soundness of our governance has been reflected in our performance in the DSJI index since 2000, in which we have scored almost 80 out of 100. Also, Banco Santander is also very well positioned, above average, in the MSCI and in the top 20% in Sustainalytics.

Nevertheless, we are not complacent. We regularly review and continuously improve our governance to ensure it continues to reflect international best practice. For example, last year we improved our succession planning.

The board's strength and effectiveness is based on its diversity - 40% are women - and its members' breadth of leadership experience, including in digital and technology. This expertise, combined with a broad range of geographic origin, outlook and perspectives, enables the Board not just to shape and determine the Group's strategy, but to provide independent counsel and challenge to our senior management.

We recently welcomed four new directors: R. Martín (Marty) Chavez and Gina Díez Barroso as independent directors, Sergio Rial, as executive director, and Luis Isasi, as a non-executive director.
These directors are replacing Esther Giménez-Salinas, Rodrigo Echenique, Ignacio Benjumea and Guillermo de la Dehesa, who have been highly appreciated members of our board for many years, and whom I would like to thank again for their valuable contribution.

We have also reinforced our International Advisory Board with the appointment of Andreas Dombret, who has significant expertise in the European regulatory environment.

We are submitting today for shareholder approval the update of our bylaws that, together with the changes made in the Board Regulations, as the General Secretary will detail later, as well as in other internal regulations and practices, will continue to make us fully compliant with the corporate governance code and appropriately adapted to the legal framework.

Finally, good governance is a reflection of a good culture. At Santander, we aspire to be Simple, Personal and Fair in all we do. These three words, we believe, have helped us create a great place to work. 86% of our professionals are proud to work at the Bank; and we have been recognized as one of the top 10 companies to work for in 6 of our core markets.

So, while there is more to be done, we are making good progress.

6. Net zero ambition

As we look ahead, the ESG agenda will become more and more important. And that's especially so as regards climate change.

We're doing well in supporting the green transition - we're a world leader in financing renewable energy, for example. But there's a lot more we need to do, as a business, if we are to meet the targets set out in the Paris Agreement to stop global warming.

That's why we have announced our ambition to achieve net zero carbon emissions across the group by 2050.

This is massive change that will take time, but the next steps are clear. We're tackling the sectors which have the greatest impact on climate first – starting with power overall, and coal specifically.

By 2030 the bank will align its power generation portfolio with the Paris Agreement.

Our first decarbonization targets are that, by 2030, we will stop providing financial services to power generation clients with more than 10% of revenues dependent on thermal coal; and we will eliminate all exposure to thermal coal mining worldwide.

Over the next year or so, we will set out more details of our roadmap. By September next year, we will set decarbonization targets for other material sectors including oil and gas, transport, and mining and metals.

I am giving you this detail as this is real, substantial change to our business model.

Yes, it is about managing the risks that climate change creates. But it's an enormous commercial opportunity too.

For example: loans to help make homes energy efficient, to install solar panels, for electric vehicles and for low carbon agriculture.

Meanwhile, we will raise or facilitate the mobilization of €120 billion in green finance by 2025 – rising to €220 billion by 2030.

Santander Wealth Management will strengthen our ESG fund's portfolio, developing new ESG and impact-oriented products to build on the success of our Future Wealth platform.

Our strategy reflects a simple point: banks are part of the solution to the global challenge of climate change – and at Santander we are 100% committed to playing our part.

7. The Santander of the future: sustainable growth and increased profitability

Now I'll turn to our wider strategy for the Group.

We will continue to focus on increasing customer loyalty and growing higher value-added products and services.

Our rock-solid balance sheet means we can continue to grow organically by investing in our most profitable and less capital-consuming geographies and businesses, including global product factories.

In 2020, for example, we focused on faster asset rotation, reallocating capital to higher return and capital-light geographies and businesses in the Americas, SCIB, WM&I and Payments platforms.

We set more ambitious and more granular minimum profitability thresholds across all segments and have aligned senior management's compensation with these profitability goals.

As a result, in 2020 about 40% of our invested capital generated a double-digit underlying RoTE, despite the environment.

In line with this strategy, today we are announcing our intention to repurchase the minority shareholders' stakes in Santander Mexico. We believe in Mexico, in the potential of its financial sector, and in Santander Mexico which is one of the country's leading banks.

For our shareholders, this transaction meets our strategic and financial criteria, offers an attractive return on invested capital, and allows us to increase both net profit and organic capital generation. For the minority shareholders of Santander Mexico, it is an opportunity to monetize their shares at a 24.3% premium on the closing market price of Santander Mexico shares on 25 March 2021.

We will continue to invest in three strategic growth initiatives that will reshape Santander. These are: **One Santander, PagoNxt, and Digital Consumer Bank.**

These initiatives are critical to achieving our aim: to be the world's best open financial services platform.

Given their importance, I will cover each in turn now, and we plan to provide quarterly updates on our progress.

First, **One Santander**.

One Santander aims to create a new and common operating and business model for the whole Group. We want our 148 million customers to see Santander in the same way, by providing a common customer experience in all our markets. Meanwhile, by building a common operating model for the entire Group, we can collate customers' data to give us more insight into customers want, so we can improve the customer offer.

We have begun to implement this approach in our European markets; and we will do so in the rest of our regions.

To build a better customer experience, our products are going to be simpler and more global. Shared processes and systems, supported by a modern tech stack, will allow us to deliver customer growth and higher productivity.

To build stronger customer relationships, traditional branches will remain vital, but we will adapt them to reflect new customer behaviours - our Work Cafés are a good example; and we will complement them with a strong offer of remote channels and a top-class mobile app.

With One Santander we aspire in the medium term to be leaders in customer experience in our markets, which should allow us to grow active customers at double digit rate and to significantly improve our efficiency ratio to approximately 40%.

PagoNxt is our second strategic initiative to increase our growth and profitability.

PagoNxt will be the Group's technology backbone that will integrate our most innovative global payment initiatives into a single platform. We want to offer our customers better and more agile payment solutions.

Payments are fundamental to our loyalty strategy, an engine of growth in all our geographies. Payments also represent a very attractive market with 500 billion euros globally of potential revenues.

With PagoNxt we will accelerate growth in three business areas: payment solutions for merchants, international companies and consumers.

The global merchant market represents an 80-billion-euro revenue opportunity and is growing rapidly (about 7% in total and 11% in e-commerce).

Our starting point in this business is good. We have more than 1.1 million active merchants and around 60 million active credit and debit cards.

On international trade, we want to offer SMEs a more agile and more efficient platform for financing, logistics and foreign exchange payments. This is something that was only available for large companies until now. Our investments in Ebury and Mercury will help us do this.
International trade represents a revenue opportunity of 350 billion euros globally.

We already have more than 4 million SMEs and more than 200,000 that are operating internationally. Further, our open market trade platforms will attract and accompany the growth of an expanding customer base.

Finally, our **payment solutions for consumers**. We want to offer consumers simple and attractive payment solutions that make their day-to-day easier.

We will build this platform through Superdigital, our solution for the non-banked population of Latin America, already available in five markets where it serves 500 thousand active customers. Our medium-term ambition is at least to triple the active customers we help today.

Our third strategic growth initiative is to create the leading digital consumer finance bank, **our Digital Consumer Bank.**

To achieve this, we will combine two of our successful businesses: Santander Consumer Finance - SCF - and Openbank.

Again, we start from a great position.

SCF, Europe’s consumer finance leader, has 18 million customers in 15 European markets. More than six million customers sign a consumer credit with us every year.

Openbank is our 100% digital bank, leading among its European competitors in deposits. It uses an innovative and efficient banking platform that we built ourselves. Each Openbank customer uses on average more than four Santander products, well above the market average.

Through our Digital Consumer Bank, we will be able to serve customers who seek financing as well as other banking products.

Our medium-term ambition in this segment is to double our net profit, reach an ordinary RoTE of 15% and reduce our efficiency ratio to 39%.

Having the right skills and competencies is critical to carrying out this transformation. That's why we're attracting people with the best digital talent, in 2020 we hired more than 2,000, who, together with our excellent teams with long banking experience, will a build the best open financial services platform.

8. 2021 and medium-term perspectives

So those are our three strategic growth priorities. And I believe they are the right priorities for us to ensure an underlying RoTE of circa 10% in 2021, and between 13% and 15% in the medium term. This will lead to higher capital generation capacity, and therefore higher growth, profitability and shareholder returns.

We are confident that a disciplined execution of our strategy will allow us to grow loyal customers, grow revenues and, as always, with our priority being to increase EPS and TNAV per share.

Uncertainty will remain in the short-term. As the head of the IMF said, we are in a resilient place, but we cannot take stability for granted. It's imperative that governments do not withdraw fiscal support too soon.

To ensure we build back fast, and build back better, nations must work together, building off the strength of their institutions to continue to attract investors.

Europe is showing leadership in managing this economic crisis with a more effective and coordinated response than ever before. Europe has shown it works better when things are done jointly and in solidarity. Avoiding a two-speed recovery will be key for Europe to emerge stronger from this crisis.

The EU has made significant institutional changes to support economies. Countries supported businesses, large and small, with state-backed loan programmes to help companies' overcome liquidity issues.

Here in Spain, despite GDP falling fast in 2020, 600,000 jobs have been lost compared to 3.5 million during the financial crisis of 2008. At the lowest point last year, support programmes enabled five million people to remain employed, and close to four million are now back at work.

Spain was the quickest out of the blocks in providing liquidity to companies through ICO loans, thanks to the excellent public-private partnership and the banks' reach, knowledge and close ties with companies. One in five companies in Spain have received an ICO. Total borrowing now amounts to EUR 116 billion, 10% of GDP.

As things stand, activity is recovering across much of the Spanish economy. But key sectors - tourism, hospitality and leisure – are 40% below pre-crisis levels. To support them, vaccination is critical.

Vaccines are beating the virus and opening the door to recovery.

The EU has set a clear goal of vaccinating 70% of the adult population by the end of the summer.

In the short term, the rates and the amount of vaccines that are arriving is not in the hands of the Spanish authorities. What is in our hands is to be well prepared to be able to vaccinate massively and quickly.

As of today, around 60 million people have been vaccinated in the EU, most of them pending the second dose. Meeting EU's target would require increasing at some point the current vaccination rate up to 3 to 4 million people per day, 7 days a week.

The lesson to be learned from the countries which have made significant progress in vaccinating their populations, notably, the United Kingdom, the United States and Chile, is that success requires extraordinarily detailed planning and a total commitment to effective execution.

Notwithstanding the challenges, I am confident that we have the means and the collective will to reach the vaccination target, but EU and national leaders must work together to make it happen.

If vaccination targets are met, we will see an intense rebound in the Spanish economy in the second half of the year and in 2022.

The European vaccination passport will be also critical, as it will allow tourists to return to our hotels, restaurants and bars. So, the sooner we reach agreement on its implementation, the better.

As the recent upward OECD Spanish economy forecast suggest, pre-covid GDP levels may be achieved earlier than expected.

Spain could shine once again in Europe and spearhead growth in years ahead, and grow beyond 5% in 2021 and 2022 in we do our homework, the vaccines targets are met, and the USA fiscal package is rapidly implemented.

Looking further ahead, EU funding will play a key role. If funds get to businesses fast, it will accelerate the recovery and minimise scarring. We must build back to support the transition to a green and digital economy.

But we can’t rely only on that. We need to harness European funds to carry out reforms that attract and support local and foreign investment and improve productivity and the ability to create jobs and wealth in an inclusive way. It is the best way to guarantee the welfare state.

We must protect viable businesses and support innovative ventures with the potential to transform. Be in no doubt that banks will continue to play our part. Nobody is better positioned to understand companies’ needs and how best to help them build back better.

In 2020 we proved that we are able to protect and sustain our SMEs by providing liquidity during the crisis. We intend to support the economic recovery by increasing our lending by 40 billion euros across all of our geographies.

9. Closing

Shareholders,

There is no doubt that 2020 has been a year like no other.

Today the priority is to ensure that the companies that have survived the pandemic grow and generate employment. They will need to invest, and banks will need to be able to serve their financial needs.

Banks and governments must work together on this. We have a shared responsibility to improve the well-being of our societies.

And that brings me back to where I began my speech. At Santander we are committed to fulfilling our purpose, to help people and businesses prosper - in good times and bad.

Throughout our long history, Santander has always emerged stronger from tough times.

That is true today.

While supporting the recovery, we will become a more responsible, greener and more digital bank, strengthening the loyalty of our 148 million customers by aiming to be Simple, Personal and Fair in all we do.

This is the way to continue to build lasting value and meet the financial objectives we have set.

Before I finish, I'd like to say a few words about Cantabria.

The restrictions of covid-19 do not allow us to hold this general meeting in Santander, as we have done in the past, and where we hope to meet again soon.

The transformation of our headquarters and the Hernán Cortés building in Santander (the former headquarters of Banesto, which was previously the Mercantile) will be a symbol of our commitment to this great city, our birthplace, and to Cantabria. This building's transformation reflects the approach we are taking to our business: remaining true to our roots and principles, we are reinventing ourselves.

Like every year, I want to thank you for your trust in, and loyalty to Banco Santander.

Thank you.